

COFFEY COUNTY HOUSING AUTHORITY

Burlington, Kansas

Financial Statements
and
Supplemental Information

with Report of Independent Auditor
For the Year Ended December 31, 2014

Coffey County Housing Authority
Special Financial Statements
For the Year Ending December 31, 2014

TABLE OF CONTENTS

<u>Item</u>	<u>Page Number</u>
INTRODUCTORY SECTION	
Title Page	
Table of Contents	
FINANCIAL SECTION	
Independent Auditor's Report	1-3
Summary of Cash Receipts, Expenditures and Unencumbered Cash	4
Notes to Financial Statements	5-9
SUPPLEMENTARY INFORMATION	
Schedule 1	
Summary of Expenditures –Actual and Budget	10
Schedule 2	
Statement of Cash Receipts and Expenditures -Actual and Budget	
General Fund	11
Grant Fund	12
Building Fund	13

INDEPENDENT AUDITORS' REPORT

Coffey County Housing Authority
Burlington, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Coffey County Housing Authority, Burlington, Kansas, as of and for the year ended December 31, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the Kansas Municipal Audit and Accounting Guide. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by Coffey County Housing Authority, Burlington, Kansas, to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Coffey County Housing Authority, Burlington, Kansas, as of December 31, 2014, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of Coffey County Housing Authority, Burlington, Kansas, as of December 31, 2014, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures-agency funds (Schedules 1, 2 and 3 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Prior Year Comparative Analysis

The 2013 Actual columns presented in the individual fund schedules of cash receipts and expenditures actual and budget (Schedule 2 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the December 31, 2014 financial statement upon which we rendered an unqualified opinion dated February 9, 2016. The 2013 financial statements and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management Analysis and Standards. Such 2013 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 financial statement. The 2013 comparative information was subjected to the auditing procedures applied in the audit of the 2013 financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2013 financial statement or to the 2013 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2013 comparative information is fairly stated in all material respects in relation to the 2013 financial statement as a whole, on the basis of accounting described in Note 1.

Restricted Use

This report is intended solely for the information and use of the governing body and management of Coffey County Housing Authority, and for filing with the , the Kansas Department of Administration, the cognizant federal agency, and other federal audit agencies. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Respectfully Submitted,

Schlatterbeck and Burns, LLC

February 9, 2016

Coffey County Housing Authority
Burlington, Kansas
Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2014

Fund	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Plus: Accounts Payable and Encumbrances	Ending Cash Balance
General Fund	\$ 90,640	221,388	145,653	166,375	7,698	174,073
Special Revenue Funds:						
Grants Fund	36,089	44,923	85,887	(4,875)	5,000	125
Building Fund	137,729	13,913	17,727	133,915	2,983	136,898
Total	<u>264,458</u>	<u>280,224</u>	<u>249,267</u>	<u>295,415</u>	<u>15,681</u>	<u>311,096</u>

Composition of Ending Cash Balance:

Demand Deposits	\$ 232,181
Money Market Accounts	<u>78,915</u>
Total Composition of Cash	<u>311,096</u>

See accompanying notes to financial statements

Coffey County Housing Authority
Burlington, Kansas
Notes to Financial Statements
For the Fiscal Year Ended December 31, 2014

Note 1 Summary of Significant Accounting Policies

A. Reporting Entity

Coffey County Housing Authority is a municipal corporation governed by an elected five-member board. These financial statements present Coffey County Housing Authority as a primary government unit, with no component units.

B. Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the Housing Authority for the year ending December 31, 2014:

Governmental Funds

General Fund--to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds--to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

C. Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

Coffey County Housing Authority
Burlington, Kansas
Notes to Financial Statements
For the Fiscal Year Ended December 31, 2014

The Housing Authority has adopted a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of accounting principles generally accepted in the United States of America and allowing the municipality to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. In addition, General Fixed Assets that account for the land, buildings and equipment owned by the Housing Authority are not recorded.

D. Budget and Tax Cycle:

The Housing Authority is not subject to the Kansas Budget Law, as they are not the primary taxing authority for the Housing Authority. The Coffey County Commissioners hold the taxing authority for the Housing Authority. The Housing Authority adopts an annual budget for the General Fund for managerial purposes. The budget comparison on Schedule 1 and 2 reflects this internal managerial budget.

E. Assets, Liabilities, and Fund Equity

Cash

To facilitate better management of the Housing Authority's cash resources, excess cash is combined in pooled operating accounts. Each fund's portion of total cash is based on its equity in the pooled cash amount. Cash in excess of current operating needs is invested on a pooled investment basis and earnings thereon are credited to the general fund as provided by Kansas Statutes.

F. Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the Housing Authority. The statute requires banks eligible to hold the Housing Authority's funds have a main or branch bank in the county in which the Housing Authority is located and the banks provide an acceptable rate of return on funds.

Coffey County Housing Authority
Burlington, Kansas
Notes to Financial Statements
For the Fiscal Year Ended December 31, 2014

In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage.

K.S.A. 12-1675 allows the Housing Authority to invest idle funds in time deposits-open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool.

The Housing Authority held no investments at December 31, 2014 and held no investments throughout the year.

Concentration of credit risk. State statutes place no limit on the amount the Housing Authority may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Housing Authority's deposits may not be returned to it. State statutes require the Housing Authority's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Housing Authority has not designated any peak periods.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Housing Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

At December 31, 2014, the Housing Authority's carrying amount of deposits was \$311,201 and the bank balance was \$312,790. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance, \$276,569 was covered by federal depository insurance and \$36,221 was collateralized with securities held by the pledging financial institutions' agents in the Housing Authority's name.

Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase as required by state statutes. No physical inventories were taken at year end and no accounting controls exist for control of materials inventory.

Coffey County Housing Authority
Burlington, Kansas
Notes to Financial Statements
For the Fiscal Year Ended December 31, 2014

Long-Term Debt

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Note 2 Stewardship, Compliance, and Accountability

Compliance with Kansas Cash Basis Law

Expenditures exceeded the cash basis law authority in the amount of \$4,875.

Compliance with Kansas Depository Security Law

No violations.

Note 3 Detail Notes on All Funds and Account Groups

A. Assets:

General Fixed Assets

The Housing Authority has not maintained a record of fixed assets used in performance of general governmental operations as required by generally accepted accounting principles.

The Housing Authority has waived the maintenance of these records through December 31, 2014, in accordance with K.S.A. 75-1120(a).

B. Liabilities:

Plan Description. The Housing Authority participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 75-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 South Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-4921 establishes the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before

Coffey County Housing Authority
Burlington, Kansas
Notes to Financial Statements
For the Fiscal Year Ended December 31, 2014

July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate of 5% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. Member employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

Net Pension Liability. The total pension liability for KPERS was determined by an actuarial valuation as of December 31, 2013, which was rolled forward to June 30, 2014. As of June 30, 2014 the net pension liability for KPERS was \$8,291,794,910. The complete actuarial valuation report including all actuarial assumptions and methods is publically available on the website at www.kpers.org or can be obtained as described in the first paragraph above.

Note 4 Economic Dependency

The Wolf Creek Nuclear Power Plant resides within the boundaries of Coffey County, which is the area served by the Housing Authority. This power plant is operated by a joint venture of several utility companies. The valuation of the power plant accounts for approximately 83% of Coffey County's total assessed valuation. The tax appropriation which the Housing Authority receives from the County is levied on this assessed valuation.

Coffey County Housing Authority
 Burlington, Kansas
 Statement of Expenditures - Actual and Budget
For the Year Ended December 31, 2014

Schedule 1

Fund	<u>Adopted Budget</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Favorable (Unfavorable)</u>
General Fund	\$ 290,500	145,653	144,847
Total	<u>290,500</u>	<u>145,653</u>	<u>144,847</u>

Coffey County Housing Authority
Burlington, Ks

Schedule 2
(Page 1 of 3)

Statement of Cash Receipts and Expenditures- Actual and Budget
For the Year Ended December 31, 2014

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>	<u>Current Year Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<u>General Fund</u>				
Cash Receipts:				
Appropriation from Coffey County	\$ 200,000	215,000	230,000	(15,000)
Assistance Income	6,878	5,775		5,775
Interest	188	481	1,000	(519)
Grants			50,000	(50,000)
Miscellaneous	2,700	132	9,500	(9,368)
	<u>209,766</u>	<u>221,388</u>	<u>290,500</u>	<u>(69,112)</u>
Total Cash Receipts				
Expenditures and Transfers:				
Salaries and Payroll Taxes	81,724	82,897	86,500	3,603
Contracted Services	27,044	37,006	39,000	1,994
Commodities	7,279	7,750	8,000	250
Capital Outlay	1,115		4,500	4,500
Developer Incentive			7,500	7,500
Home Construction/ Rehabilitation	7,892		70,000	70,000
Demolition	12,000		25,000	25,000
Transfer to Grant Fund	52,433	18,000	50,000	32,000
	<u>189,487</u>	<u>145,653</u>	<u>290,500</u>	<u>144,847</u>
Total Expenditures and Transfers				
Receipts Over (Under) Expenditures	20,279	75,735		
Unencumbered Cash, Beginning	<u>70,361</u>	<u>90,640</u>		
Unencumbered Cash, Ending	<u>90,640</u>	<u>166,375</u>		

Coffey County Housing Authority
Burlington, Kansas
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2014

Schedule 2
(Page 2 of 3)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
<u>Grants Fund</u>		
Cash Receipts:		
Transfer from General Fund	\$ 50,433	18,000
Federal Grants		25,000
Other	<u>722</u>	<u>1,923</u>
Total Cash Receipts	<u>51,155</u>	<u>44,923</u>
Expenditures and Transfers:		
Home Rehab	27,068	85,887
Other		
Total Expenditures and Transfers	<u>27,068</u>	<u>85,887</u>
Receipts Over (Under) Expenditures	24,087	(40,964)
Unencumbered Cash, Beginning	<u>12,001</u>	<u>36,088</u>
Unencumbered Cash, Ending	<u><u>36,088</u></u>	<u><u>(4,876)</u></u>

Coffey County Housing Authority
 Burlington, Kansas
 Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2014

Schedule 2
 (Page 3 of 3)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
<u>Building Fund</u>		
Cash Receipts:		
Home Sales	\$ 201,676	
Rent to Own Sales	15,321	13,170
Interest and Other	<u>2,476</u>	<u>743</u>
Total Cash Receipts	<u>219,473</u>	<u>13,913</u>
Expenditures and Transfers:		
Home Construction	172,468	15,673
Other	<u>1,701</u>	<u>2,054</u>
Total Expenditures and Transfers	<u>174,169</u>	<u>17,727</u>
Receipts Over (Under) Expenditures	45,304	(3,814)
Unencumbered Cash, Beginning	<u>92,425</u>	<u>137,729</u>
Unencumbered Cash, Ending	<u><u>137,729</u></u>	<u><u>133,915</u></u>